



Date: September 6, 2016
To: Timothy M. Herbst, First Selectman
Subject: Pension Board Update

Below is a brief update on the performance, activities and initiatives for calendar year ending 2015.

Executive Summary:

(All numbers calendar year based)

- We continue to make financial and administrative progress.
- Net cash flows for calendar year 2015 were positive, because of large make-up contributions, as they were in 2012 through 2014.
- The fund returned (0.5)% for 2015. This compares with the U.S. public pensions reported median returns of 0.36 percent as reported by Bloomberg Business.
- The funded ratio is 39% for 2015, as compared to 35% for 2014 and 32% for 2013.
- Administrative changes now provide for a monthly “flash report” of how investments are performing as well as an annual governance calendar to guide quarterly meeting agendas.
- An Investment Policy Statement is in effect and is reviewed annually.

Pension Investments:

Investment returns for 2015 were (.05)%, which was lower than the actuarial return assumption of 7.5%; however, the annualized 3 and 5 year results for this same period were 11.3% and 9.3% respectively, higher than the 7.5% return assumption.

Although the attributes associated with globally diversified portfolios over the longer term tend to be favorable with a more stable investment return, this did not occur in 2015. However, we believe that the long term benefits of having a globally diversified portfolio such as ours remains attractive.

Calendar Year	2015	2014	2013	2012	2011
Investment Performance	(0.5%)	4.5%	17.2%	12.5%	(0.9%)
Plans Assets (millions)	\$27.9	\$27.5	\$24.9	\$20.5	\$17.8
Town Contributions	\$ 4.2	\$ 4.8	\$ 4.1	\$ 3.3	\$ 2.6
a. Current	\$ 1.0	\$ 0.9	\$ 1.1	\$ 1.1	\$ 1.2
b. Make-up	\$ 3.2	\$ 3.9	\$ 3.0	\$ 2.2	\$ 1.4
Employee Contributions	\$ 1.0	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.8
Less: Payments	\$ 4.6	\$ 4.3	\$ 4.2	\$ 3.9	\$ 3.7
Net Cash Flow (thousands)	\$ 616	\$1,379	\$779	\$264	(\$292)

The performances of the investment managers were reviewed quarterly by the Pension Board along with its investment advisor, Fiduciary Investment Advisors; however, no changes to the managers were made during the year.

Actuarial Report:

The plan actuary Bryan, Pendleton, Swats, & McAllister, LLC (BPS&M) will perform the biennial valuation in July 2016.

See the chart below for previous valuation results:

	July 1, 2014	July 1, 2012	July 1, 2010	July 1, 2008
Participants				
Active	376	436	453	433
Deferred Vested	68	74	69	79
Receiving Benefits	340	325	320	288
Total	784	835	842	800
Total Liabilities	\$71,162,375	\$67,905,000	\$62,863,043	\$57,704,539
Actuarial Value of Assets	\$24,997,527	\$19,096,003	\$16,807,159	\$19,572,031
Funded Status (unfunded)	(\$46,164,848)	(\$48,808,997)	(\$46,055,884)	(\$38,132,508)
Funded Ratio	35.1%	28.1%	26.7%	33.9%

Operations:

The Pension Board previously had advanced the quarterly schedule of meetings one month to match quarterly reports in a more timely way. The change was helpful as is a monthly "Flash Report" to provide more timely information on investment performance.

The governance schedule as previously reported is shown below for your information:

1 st Qtr: Fee Focus	2 nd Qtr: Practice & Policy Focus
<ul style="list-style-type: none">• Investment Review• Administrative fee review• Portfolio expense analysis	<ul style="list-style-type: none">• Investment Review• Investment policy statement review• Legislative update
3 rd Qtr: Asset/Liability Focus	4 th Qtr: Pension Landscape
<ul style="list-style-type: none">• Investment review• Annual actuarial review*• Asset Allocation review	<ul style="list-style-type: none">• Investment review• Pension landscape update• Market environment overview

*Timing of actuarial and liability review dependent on client's individual plan and/or fiscal year and actuarial input.

Long Term Plan:

- The Pension Board is conducting a Request for Qualifications for investment advisors to the fund this year. The Board believes it prudent to regularly conduct RFQ's for this position to stay abreast with the industry.
- Approval of an Investment Policy Statement with an annual review.
- The Town of Trumbull's 401a and 457b Plan investments are the responsibility of the Town and not the responsibility of the Pension Board.
- A determination to continue biennial valuation reports rather than changing to an annual valuation report. The reason being that the cost of annual valuation reports was too high.
- Review and approval of a resolution from legal counsel to submit Pension Plan changes to the Internal Revenue Service to keep the Pension Plan in compliance with tax law.

Two personnel changes have occurred. Mr. Anthony Musto has replaced Mr. John Ponzio as Town Treasurer and Mr. Michael Knight has recently resigned and has yet to be replaced. The Pension Board wishes to recognize and thank Messrs. Ponzio and Knight for their service to the Town.

The Town of Trumbull's commitment to fund its Pension Plan at the annual required contribution including the make-up contribution will continue the financial improvements we have seen in recent years. Consideration must be given, however, to reducing the Assumed Rate of Return from 7.5% to a lower number. While 7.5% is still used by many plans and is considered reasonable, the trend nationwide is to lower the assumed rate of return.

The Pension Board understands the need for the administration to weigh all town financial concerns and it appreciates the ongoing support for the Retirement Plan. We welcome the opportunity to meet with you and accept ideas and recommendations for improvement.

Respectfully submitted,

The Pension Board

James Lavin
Chairman

Anthony Musto

Maria Pires

Donna Pellitteri

James Daly
Secretary

James Meisner